Discounters Share of Housewares Manufacturers' Sales Drops

CHICAGO — Discounters and catalogers together grabbed a smaller but still dominant share of housewares manufacturers' sales to retailers and wholesalers last year.

The portion that membership warehouses took couldn't be determined while this new and fast-growing segment was still developing relationships with housewares manufacturers.

Housewares manufacturers' total sales, meanwhile, plunged for the first time in 15 years, dropping 6% to $23.2 billion from $24.6 billion, according to a recent report from the National Housewares Manufacturers Association (NHMA).

The portion of housewares manufacturers' sales going to discounters and catalog showrooms slipped to 44% last year from 47% the previous year. The key reason was that market share for the discount store segment declined six percentage points to 32% from 38%.

The situation reflects, in part, the consolidation underway in the discount store industry, which has seen some chains being taken over by larger companies while others have just closed.

Catalog showrooms fared much better, with sales to catalogers up three percentage points to 12% from 9%.

A major contraction took place in the showroom after the survey was completed. Any drop in the catalogers' share will have to be reported in 1987 following a survey of manufacturers later this year.

Other retailers showing gains in market share were housewares/hardware specialty stores, up three percentage points to 6%; drug stores, up two percentage points to 7%; and variety stores, up one percentage point to 3%.

Supermarkets' share fell two percentage points to 5%.

The NHMA plans to change its twice-a-year National Housewares Exposition to a single January event, possibly as early as 1988, Ron Fippinger, NHMA managing director, said.

Discounters and catalogers, particularly the latter, have long preferred a show in January in place of the current schedule that has events in the spring and fall. He said this fact tipped the scales in favor of the single January show.

Discount stores remained the largest single retail buyer of goods from housewares manufacturers. Nevertheless, the drop in market share held by the discount segment resulted in a decrease in purchases from housewares' vendors of more than $1.9 billion.

Joseph S. Adler, president of B. Angell & Associates Inc., the company that conducted the study, cautioned, "Late in 1983, early in 1984, there was a lot of press regarding the importance of discounters/mass merchandisers in the marketplace. I believe this publicity caused manufacturers to overstate the volume to these retail divisions; the figures are inflated."

Adler added this would also explain the atypical 8% jump in reported sales to the discount segment from 1983 to 1984. Until then, increases had been more gradual.

In the current study, manufacturers cited a number of reasons for the 1985 decline in industry sales.

Three major factors mentioned were: changes in retailers' buying patterns, the decreased strength of the dollar and the increased importance of merchandise from South America and Mexico, as well as China and Japan.

One manufacturer noted: "Mass merchandisers are now directly importing our main item. Before this, they used to buy it from us."

"Again, foreign competition is our biggest problem," said another manufacturer.

"It is at the point where it is almost senseless for us to introduce new products. Before our products hit the market, some company from another country has copied it and started offering it for approximately half the price."

Another vendor complained of "lack of loyalty from the retail community.

"After they test viability of a product from a supplier like myself, if retailers can knock off a product in Taiwan, China, Brazil, etc., they almost always do."

The influence of retailing consolidation, particularly recent mergers among discounters, was also cited as a component of the waning sales—as well as being a possible explanation for the drop in sales to discount stores.

"The shrinking marketplace—mergers and buyouts of the major retailers—are forcing demands on small businesses," said one manufacturer. Another cited McCrory's acquisition of T. G. & Y. as an example of this trend.

"The loss of several small and medium-sized variety store and mass merchant chains due to acquisitions" was noted by another vendor.

Study Reveals Discount Trends

CHICAGO — The National Housewares Manufacturers Association's annual study of the housewares industry cited a number of statistics and trends regarding discounters and catalogers. These include:

- Discount stores are especially dominant in decorative accessories and outdoor products and accessories, accounting for 42% of vendors' business last year.
- Housewares sales to catalog showrooms, at 12%, were at their highest in the history of the NHMA's tabulation conducted by B. Angell & Associates.
- Furniture sales to both catalog showrooms and discounters were above their housewares averages at 17% and 38%, respectively. Last year, furniture figures were on average for both these retail segments.

Joseph Adler, B. Angell president, called this increase "noteworthy," but refused to call it a trend until after next year's report is released.

- Membership warehouse figures couldn't be determined. At present, those sales figures are included in the retail outlet subcategory, "all other."
- Electric housewares sales to catalogers was also noteworthy, at 20%, according to the study. That percentage is 8% above average for that retail segment.

The study also reported the following general housewares industry trends:

- Less than one-quarter of the manufacturers surveyed had increased their prices during 1985.

Those vendors that plan to raise their prices during 1986 are doing so because of concerns over the declining dollar and higher material or labor costs.

Color trends remained fairly constant, with white the favorite in all product categories.

Changes in color preferences were noted in kitchen appliances where the gap between white and the second choice, almond, widened to 56% and 31%, respectively.

While preference for white serving and buffet products and accessories remained constant at 36%, the mention of black at 15% was considered "noteworthy," said Adler.

The report is based on responses from 610 of 1,705 manufacturers attending the November 1985 NHMA Housewares Show, or 36% of all exhibitors.

Manufacturer's Housewares Sales by Outlet

	1985 Sales (in thousands)	1985 % of Total Industry Sales	1984 Sales (in thousands)	1984 % of Total Industry Sales	1983 Sales (in thousands)	1983 % of Total Industry Sales
RETAIL OUTLETS	$19,948,560	86%	$20,402,230	83%	$18,592,830	79%
Discount Dept. Stores	7,422,720	32	9,340,780	38	6,720,300	30
Catalog Showrooms	2,783,520	12	2,212,290	9	2,016,090	9
Department Stores	2,319,600	10	2,458,100	10	1,792,080	8
Drug Stores	1,623,720	7	1,229,050	5	1,120,050	5
Housewares/ Hardware Stores	1,391,761	6	737,430	3	1,120,050	5
Food Stores	1,159,800	5	1,720,670	7	1,344,060	6
Variety Stores	695,880	3	491,620	2	896,040	4
Mail Order	463,920	2	491,620	2	672,030	3
Home Centers	463,920	2	491,620	2	448,020	2
Buying Syndicates	*	*	245,810	1	224,010	1
All Others **	1,623,720	7	983,240	4	1,344,060	6
WHOLESALE OUTLETS	2,347,440	14	4,178,700	17	4,704,210	21

**Sales less than 0.5% of total* ***Includes membership warehouse clubs* *Source: B. Angell & Associates Inc.*

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In 1985, sales of Hoover® Spirit™ canisters soared way ahead of the previous year. One reason, the addition of models with more powerful 3.1 peak HP motors. Thanks to innovations like this, Hoover continues to be the most popular canister brand you can sell.
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CE Chains Slice Margins to Grow

(Continued from page 1)
trol promotion costs, put more emphasis on higher margin merchandise and hold the line on prices.

It may be too late, however, for Pacific Stereo which filed for Chapter 11 protection last month. At presstime, the majority of the $215 million chain's 64 stores remained closed; approximately 15 units were reopened to hold liquidation sales for the chain.

The outlook was much brighter for Crazy Eddie, whose net income rose 108% for the year and 115.8% for the fourth quarter ended March 2. Annual sales of $262 million were up 60% over last year.

As the chain grew from 15 stores to 23 over the year, it also was able to increase, not just maintain, margins.

"Gross profit margins during the generally favorable Christmas quarter rose to 29.6% from 25.2%," reported Eddie Antar, chairman and chief executive officer. Sales per square foot grew from $2,368 the previous year to $2,903 for the just-completed fiscal year.

Circuit City, based in Richmond, Va., has proven it is capable of generating solid earnings no matter how tough the market. Sales totalled $705 million, a 32% increase, while earnings went to $22 million, compared with $20.2 million the previous year.

Also during the period, the chain exited the highly competitive New York market to reapply its resources to expanding in the more lucrative Southern California area. The company had entered New York in 1984 with the purchase of the Lafayette chain.

The Federated Group, based in City of Commerce, Calif., is another sharp competitor for a share of the Southern California market. Its sales rose 58% for the year, to $364 million.

Earnings declined from $11.7 million to $10.7, however, in part reflecting the chain's aggressive expansion program which saw it grow from 20 to 60 stores in the last two years.

Powell said the chain will be more conservative in its future store openings but will not pass up opportunities that involve a new store.

To further build sales, particularly on higher margin big ticket items, Powell told *DSN* the chain will invest more time training new salespeople.

Baltimore-based Luskin's reported a net sales increase of 22% to $110 million for the fiscal year just ended. Net income, however, was relatively flat—advancing to $4.3 million, only a 1.3% increase.

Cary Luskin, president, said much of the sales increase came from 12 new stores opened during the year and from the recently acquired 11 Sound and Sight stores.

"Significant advertising and promotion campaigns relating to the company's penetration of new areas, as well as higher advertising outlays in existing areas," contributed to the profit decline, he said.

At Newmark & Lewis, another industry leader, net income for the year climbed 51% to $3.8 million. Sales of $142 million, a 26% increase, in part reflect the chain's growth from 25 to 34 stores.

For Dayton, Ohio-based Audio Video Affiliates, the year ended with sales of $181 million and earnings of 7.5 million, a 31% increase.

With 78 stores serving 15 states, analysts said the chain has achieved strong market position by making volume purchases at favorable prices.

Discounter DPP Model

(Continued from page 1)
& Gamble and Management Horizons.

The first fully working model is expected to be ready for testing this fall.

Convention goers, however, had mixed reactions to the presentation. Some were extremely enthusiastic about the program's potential impact on their businesses; others doubted the potential value could effectively be harnessed by a workable format.

Lucius Harvin III, chairman of Roses Stores and newly elected head of the NMRI board of directors, counselled that DPP "is not a panacea, but a great way to look at the business."

"It will help us get away from seat-of-the-pants decisionmaking," he said.

NMRI is planning to facilitate the industry's adoption of DPP with a series of training seminars (due to begin in November) and the formation of a Total Systems Efficiency Committee. The TSE committee will set the guidelines for future DPP research.

To create the current DPP model, which uses a Lotus 1 2 3 spreadsheet format, the task force:

- Selected two chains, Target and Zayre, to act as pilot sites;
- Defined the basic merchandise flows;
- Defined the data required to use the model;
- Defined two case studies and objectives—health & beauty aids and packaged children's wear;
- Gathered the data;
- Loaded the data into the model and tested the validity of the analysis.

The task force focused on only two product areas because a model that addressed all industry issues at once was impractical.

Chains See Good Year Ahead Based on Strong 1st Quarter

(Continued from page 3)
amounted to $2.3 bilion, up 4.2% from $2.2 billion. Net earnings showed a greater increase, up 9.1%, to $47.3 million from $43.4 million.

The company didn't break out sales for its Gold Circle discount store arm. However, according to Federated's chairman Howard Goldfeder, the January merger of Richway into Gold Circle had an "initial positive impact" on the company's results.

Goldfeder said enhanced growth in consumer demand is expected to return in the third quarter and accelerate through the Christmas season.

Results at Lucky Stores, which include the Gemco discount department store operations, countered the gains reported for most other retailers. Volume remained flat at $2.3 billion, while earnings slipped to $21.2 million from $24 million.

At Dayton-Hudson, parent of Target Stores, sales increased 10% to $2 billion from $1.8 billion, while earnings showed a greater gain, going up 18% to $38.6 million from $33.5 million.

The Target discount store division continues to be the leading sales producer for the company with $888.3 million in volume, up 6% from $837.8 million. The Mervyn's apparel store division showed the greater sales gain, jumping 17% to $579.9 million from $494.6 million.

May Department Store volume of $1.2 billion was up 10.9% from $1.1 billion, while net income rose 21% to $40.5 million from $33.5 million.

Venture discount store division sales rose 9.8% to $229 million from $208.6 million.

Zayre sales, excluding leased departments, rose 32.2% to $1 billion from $790.1 million. Net income of $16.7 milion was up 9.9% from $15.2 million.

President and chief executive officer Maurice Segall acknowledged that sales in the Zayre discount store division "were somewhat below expectations." He explained that the higher company sales "stemmed primarily from specialty division stores and our new operations, BJ's Wholesale Club and HomeClub."

Service Merchandise sales jumped 31.7% to $457.2 million from $347 million, but its loss increased to $27 million from $3.6 million. Chairman and president Raymond Zimmerman said the loss was due to a number of factors, including "continuing losses experienced by our Mr. HOW home improvement business."

Ames sales jumped 93.4% to $375.7 million from $194.3 million, mainly due to last year's takeover of G. C. Murphy. Earnings of $5.8 million were up 14% from $4.7 million. Toys "R" Us sales of $368.4 million were up 13% from $326.1 million. Earnings declined slightly to $10.3 million from $12.2 million.

Roses had $255.3 million in sales, an 18.8% increase from $214.9 million. Its earnings of $6.5 represented a 73.5% jump over $3.8 million.

Chairman and chief executive officer L. R. Harvin III said, "We expect 1986 to be a record year, but not at the rate of profit increase we obtained in the first quarter."

Jamesway sales of $118.5 million represented a 14.5% increase over $103.5 million. Earnings, however, slipped to $866,000 from $969,000.

PACE Membership Warehouse almost tripled sales to $108.3 million from $43.3 million. This helped the company turn a $1.1 million loss into earnings of $162,000.

Consolidated Stores almost tripled its sales. Volume reached $66.5 million from $27.8 million. Earnings more than doubled to $3 million from $1.2 million.

Pic 'N' Save, another closeouter, had $53.9 million in sales, a 13% increase from $47.6 million. Earnings went up 10% to $6.2 million from $5.7 million.

Warehouse Club sales jumped 83% to $36.2 million from $19.8 million, producing earnings of $7,000 against a $414,000 loss.

The Clothestime apparel specialty chain had $31.2 million in sales, up 13.2% from $27.6 million. Earnings outpaced the volume gain, jumping 32% to $1.8 million.

Answers: *1.b, 2.b, 3.b, 4.b, 5.a, 6.c, 7.c, 8.a, 9.c, 10.a*

Generic Toys Remain Strong

(Continued from page 2)
view each item and category to determine whether to cancel any orders.

Much of buyers' uncertainty is over the latest electronic toy technology and the accompanying high price points. Photon—an electronic version of a "capture the flag" game tied to Photon Centers cropping up around the country—will be priced at around $140 when it reaches stores this fall.

Electronic toys "will be a category to look at in the fourth quarter," said a buyer for a northwestern chain. "Nobody's got [Photon] yet. It's a new technology—it could be good or it could be real bad."

Not all the news about licensing, though, is bad. With sales spread among several licenses, the risk of overbuying—or missing the boat—on the one high flyer is reduced.

The situation also makes for a more stable buying plan. The Cabbage Patch phenomena of two years ago "hurt us because we had to plan following those items," said Feretti.

The future should be less risky and more predictable (relative to the licensing business) to plan for, he added.

"There won't be any great need or desire to buy 10, 12 or 14 Cabbage Patch dolls, or to buy all of the Transformers or all the G.I. Joe," added ALCO's Hayes.

ALCO will concentrate its licensed toy assortment on items priced at under $20 in plush, action figures and accessories. In plush, Popples and Pound Puppies are expected to remain strong through the year. The Rockers and My Little Pony are expected to be favorites in girls' toys, while G.I. Joe and Transformers are still on boys' wish lists.

Hayes pointed out none of these licenses are brand new, and several are gaining the status of a Snoopy or Walt Disney license, meaning it's inclusion in the mix is a given. "Some of them are getting to be almost 'generic,'" he said.

The chain is backing away from newer licenses like Wrinkles, Furskins and Fluppy Dogs, choosing instead to import plush items to offer at lower price points.

It's still up in the air as to whether some of the newer licenses can unseat the more established leaders in several toy categories. Hasbro is trying to gain market share in dolls with its trendy Jem doll, but Mattel's Barbie—after 25 years—is still the queen.

In the boys' category, Centurions is battling Masters of the Universe and Transformers. The action figures category is reaping surprising continued activity from the World Wrestling Federation's figures like Hulk Hogan.

K mart Denies Takeover

(Continued from page 1)
which sales went up 4.6% while earnings jumped 56.4%.

"In the period when the rumors occurred, most retailers, including K mart, lagged the market. Now they are catching up," a company spokesman said.

"We aren't aware of anyone accumulating large amounts of stock or making an offer to the company," he added.

Enough time has elapsed since the rumors began, for anyone who had acquired K mart stock in excess of 5% of the outstanding shares to have filed the necessary papers with the Securities and Exchange Commission. Stock purchases of less than 5% of the shares in any company's stock do not have to be reported to the SEC.

The spokesman acknowledged the heavy trading preceded the release of K mart's quarterly financial statement on May 21."The trading was investor reaction to the analysts' forecasts," he said.

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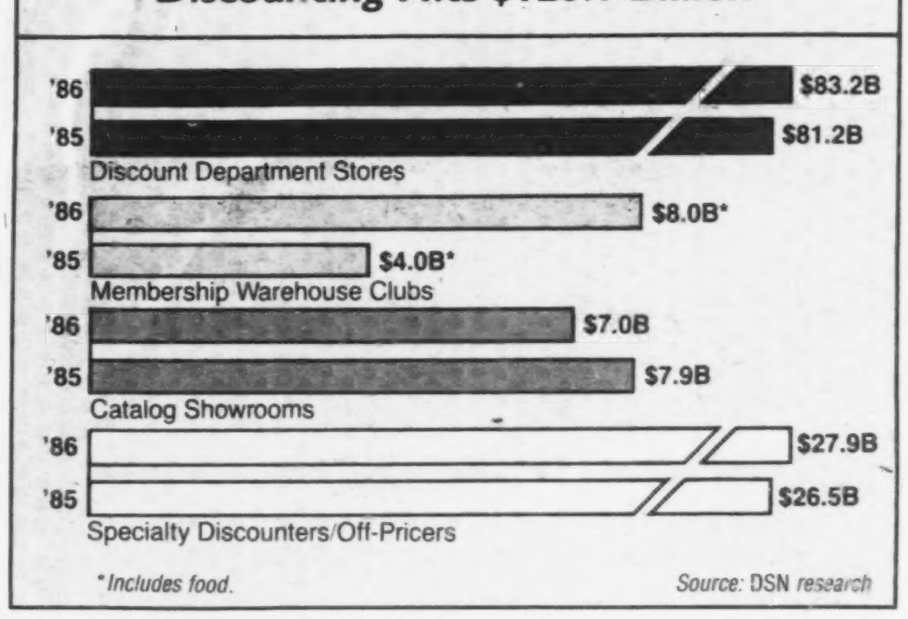
Discounting Hits $126.1 Billion



May's ADG Bid Shakes Up Market

Venture/Caldor Merger Looms

By IRIS S. ROSENBERG

ST. LOUIS — If May Dept. Stores can close the deal, it's proposed bid for Associated Dry Goods could create the biggest upscale discount store chain in the Eastern half of the country.

The new chain would be formed from May's 65-store Venture chain and ADG's 118-unit Caldor operation. With Caldor's strength in East Coast markets extending from New Hampshire to Virginia and Venture covering the Midwest from Chicago to Oklahoma City, the new chain would cover a substantial portion of the country's top metro markets.

The move would create the second largest upscale discounter after Target Stores, and the fifth ranked discount department store chain. It would also add lucrative Northeast markets now missing from May's portfolio.

The underlying assumption of most trade observers: If the deal goes through, May will eventually elect to merge the headquarters and field staff organizations now serving each chain.

The bid further signifies a new stage in the consolidation of the retail industry: Successful retailers are willing to pay top dollar to fuel their expansion plans with healthy, on-going operations.

While the takeover negotiations between May and ADG

(Continued on page 144)

Merger Would Tip Upscale Chain Balance

May's ADG bid could create a $2.3 billion Venture/Caldor giant that would most threaten two other Eastern U.S. upscalers: Gold Circle/Richway and Bradlees.

Discount Industry Sales To Post 9% Gain in '86

Nationwide DSN Report

Discounters will capture a $126.1 billion share of the retail market this year, a 9% advance over last year. Much of that growth will come from the membership warehouse club operators.

Sales volume for this fast growing retail format is anticipated to reach $8 billion by year end, and $20 billion by the end of the decade.

Overall, the current year will prove a modest one for discount department stores, with sales expected to total $83.2 billion by the end of December—a 2.5% increase over last year.

This growth rate reflected the continuing consolidation of the industry and the maturing of the existing operations.

Among the major changes reflected in the rankings on this year's top 100 list were Federated Department Stores merger of its two dis-

(Continued on page 21)

Two Zayres To Feature Health Care

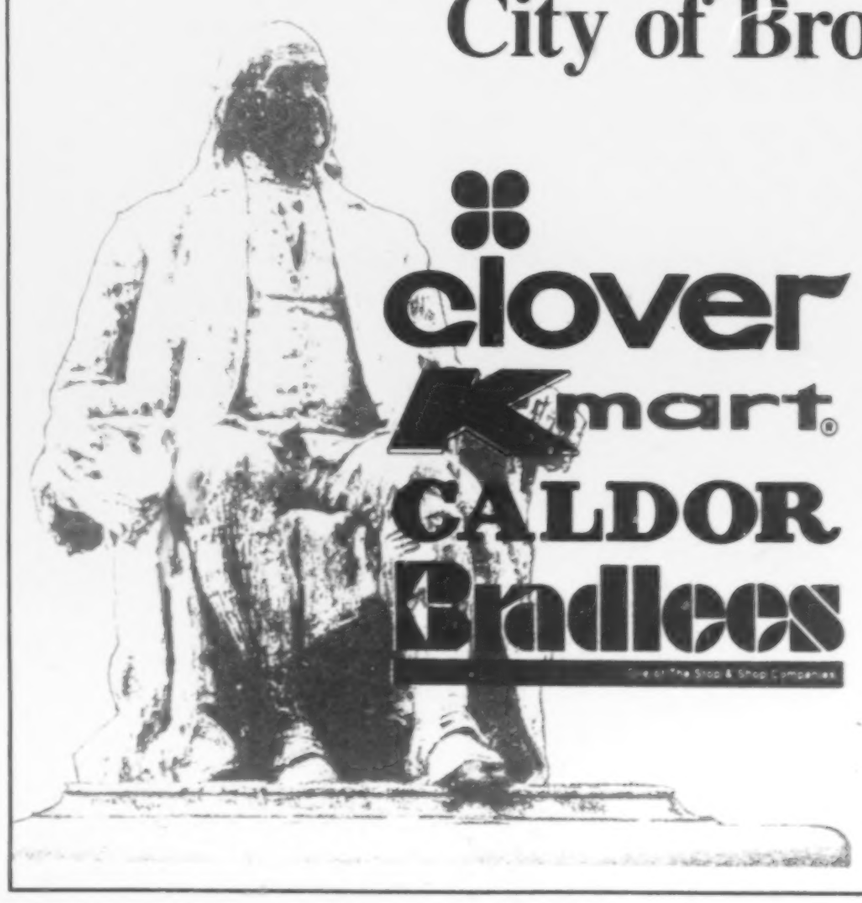
FRAMINGHAM, Mass. — Zayre will open primary-care medical offices in two inner-city Chicago stores next month to further serve its lower-income customers.

The Family Health Corners, as they will be called, will be operated by Chicago's Mount Sinai Hospital. The hospital has leased about 1,000 sq. ft. of space in each of the two stores, one on South Halstead Avenue and the other on North Ashland Avenue, said Stanley Berkovitz, vice president of consumer and community affairs for Zayre.

"We feel we can offer good medical care at prices that will be very beneficial to the consumer," said Berkovitz. He added that the location of the

(Continued on page 144)

Discount Chains Set to Battle for City of Brotherly Love



PHILADELPHIA — The City Of Brotherly Love, for years among the most stable and predictable markets, promises to be the latest battle ground in the discount department store wars.

Currently served by 39 K mart stores and 16 Clover stores, the market pegged by a K mart executive to grow by just 5% per year is about to feel the full market forces exerted by Caldor and Bradlees, themselves in the throes of change.

Bradlees has retrenched, backing away from the "department store with a difference" crusade, attendant with prices that pushed retails beyond the limits of even upscale discounting.

(Continued on page 143)

Feds Set Plan To Black Out Gray Market

WASHINGTON — The Reagan Administration, under pressure from multinational manufacturers, has proposed new rule changes which could significantly reduce industry sales of "gray market" imports.

If adopted by the United States Customs Service, the new and controversial White House plan (devised to resolve "economic problems allegedly created by parallel imports") could effectively eliminate hundreds of millions of dollars of savings currently available to American consumers who purchase so-called "gray market" merchandise.

In a notice seeking public comments, Customs officials announced that two separate

(Continued on page 143)

Discount Industry Annual Report— Pages 19-28

Top 100 Discount Chains— Page 23

Key Merchandising Dept. Analyses— Pages 79-128

NEED
MONEY
FOR COLLEGE?

Marshalls Inc. Division of MELVILLE CORPORATION
Marshalls

Marshalls is offering college tuition aid for up to two approved business and/or retailing courses per semester to part-time employees in an effort to attract and retain workers.

New Plan

Marshalls to Offer Tuition Assistance

WAKEFIELD, Mass.—Marshalls is hoping to lure store level employees by promising to help finance their college educations.

Although the unconventional pilot project took off in limited markets starting June 1, the actual impact will not become evident until this fall, when schools officially reopen. That is also the point when some of the newer employees will have fulfilled the three-month qualifying period, explained Kathy Giles, director of benefits for the national chain.

Giles helped draw up the tuition reimbursement plan for part-time employees, which she said is the only such program any American retailer currently offers part-timers.

To qualify, employees have to work at Marshalls a minimum of 16 hours a week. Those who have been employed for three months are eligible for 50% reimbursement. After a year, Marshalls will pay 100% for job related courses or any course required for a degree in business or retailing.

Although Giles admitted the program is "not for people who are majoring in archeology," the goal is to sweeten the appeal of taking a job at Marshalls.

"We are experiencing the same problems getting and keeping store-level people that everyone else is," Giles said. With tuition payments added to benefits such as flexible hours and employee discounts, the chain is hoping to attract college-bound high school seniors, current college students and even housewives who might want to go back to school.

"We're looking for long-term benefits for the company in terms of people," she said. The cost of the program won't become evident until the response rate can be tracked, she added.

The pilot project includes selected stores in states including California, Michigan, Colorado, Louisiana, Minnesota, Illinois, Missouri, Texas, Virginia, Maryland, Florida, Connecticut, Georgia, New Hampshire, New Jersey, New York and Massachusetts. According to Giles, store managers and regional managers were asked to pick areas where staffing was needed and also where colleges were located.

The program was kicked off last month with ads in local newspapers, mass mailings to financial aid offices at local colleges, in-store posters and bag stuffers sent home along with customers' purchases.

Another ad blitz is planned for September, according to Giles. High school guidance counselors are expected to become involved with the program at that point.

Although it was too early to gauge at presstime, Giles was sure that the program had made an impression on one group. "We've gotten an awful lot of calls from the parents of students who are interested in getting their kids a job," she said.

Bay State Consumer Advocates Draft Tougher Retail Ad Guidelines

WASHINGTON — Consumer protection officials in Massachusetts have drafted controversial new restrictions on the use of comparative "reference prices" in retail advertising. A move that industry lobbyists warned may cause radical changes in discount chain promotional practices.

Although the new regulations developed by the state's attorney general would apply only in Massachusetts, Association of General Merchandise Chains president Edward T. Borda charged that the reference price restrictions could have a chilling effect on discount advertising nationwide.

If adopted in their current form, the regulations would make it "impossible for national advertising campaigns to offer customers useful price comparisons," Borda told Massachusetts officials.

Although AGMC raised a series of concerns about the pending state proposal, the association's major worry is that national and multi-state chains would be forced to either prepare special advertisements, sales flyers and catalogs for Massachusetts, or discontinue using comparative prices altogether.

As presently drafted, the pending state regulations would prohibit the use of any reference price (e.g. "regularly $9.99" or "reduced from $2.79") unless the advertised merchandise was actually offered for sale by the advertiser at that price in the state of Massachusetts.

Such a requirement, which according to AGMC would be a major problem for most large chains, appears to conflict directly with similar "reference price" advertising guidelines developed by the Federal Trade Commission.

Those FTC rules acknowledge that an advertiser "who does business on a large regional or national scale cannot be required to police or investigate in detail the prevailing prices of his articles throughout so large a trade area."

Under the Federal guidelines, if the advertiser uses a "preticketed" or "list" price to indicate the savings available on a sale item "in good faith (i.e., as an honest estimate of the actual retail price) which does not appreciably exceed the highest price at which substantial sales are made in his trade area, he will not be chargeable with having engaged in a deceptive practice."

While the nation's discounters have found those Federal groundrules to be workable, the more stringent restrictions under consideration in Massachusetts would "render it virtually impossible for nationally or regionally advertising retailers to advertise price comparisions in the Commonwealth," AGMC's Borda charged in comments to the state attorney general.

Rather than undertake the expense and administrative problems of developing separate advertising for Massachusetts, he warned, "national advertisers may well decide to end or reduce advertising that brings price information to consumers in the state."

AGMC has not been alone in raising serious objections to the pending Massachusetts comparative ad price proposal—officials at the state retail merchants association have voiced similar concerns, warning Massachusetts regulators that the plan could have widespread impact on catalog retailers as well as discounters.

In fact, officials at the state association warned the attorney general that even the venerable Sears mail order catalog would be illegal in Massachusetts if the new regulations are implemented.

Even independent retailers and small chains operating solely in Massachusetts would find it difficult to comply with the proposed rules because of a variety of burdensome restrictions and requirements.

Among other things, the pending regulations would:

- Require price disclosures in at least 7 point type;
- Establish special new disclosure burdens for television advertisers in the state, and
- Cause separate problems for retailers advertising credit sales.

Two Chains Make Exec Suite Changes

Nationwide DSN Report

Cataloger Best Products and membership warehouse The Warehouse Club have made major executive changes.

Richmond-based Best has dismissed executive vice president Bernard A. Cohen, who was president of the retailing group that was composed of the Best showroom chain, along with Ashby's ladies apparel specialty stores and Best Jewelers. Best had incurred flat sales and poor earnings last year due to its struggling catalog operation and reported a loss for this year's first quarter.

James T. McKitrick

Bernard A. Cohen

Best president and chief operating officer Robert E. R. Huntley has assumed Cohen's duties, which include overseeing merchandising, marketing, operations and planning. The Niles, Ill.-based Warehouse Club has named James T. McKitrick, formerly a top executive at discounter T. G. & Y., as the membership warehouse's president and chief executive officer.

McKitrick succeeded Walter Teninga, formerly a top K mart executive who founded the membership warehouse four years ago. Teninga continues as chairman.

McKitrick also joined the company's board, filling the vacancy created when Russell A. Hansen resigned.

McKitrick had been T. G. & Y.'s executive vp and general merchandise manager. Prior to joining that discounter, he had been with K mart as director of merchandising.

W. Tynan Brown as joined the Warehouse Club as assistant to the chairman. He had been a labor attorney with K mart.

Plan Gives Cook Creditors Control

CLEVELAND — Cook United has filed an amended reorganization plan which would give creditors controlling interest in the company with 79.5% of the stock.

That company had first filed for protection under Chapter 11 in October 1984 and is expected to emerge from bankruptcy this September.

Geoffrey Lurie, president of Cook since last September, is spearheading the reorganization of the company. The retailer operates 41 discount stores under the Rink's and Cook's nameplates.

Under the new plan, funding of the reorganized company would come from unsecured creditors who would receive common stock in lieu of cash payments.

The second part of the funding, bank commitments for approximately $32 million, will be provided by Chemical Bank and by a bank group, headed by AmeriTrust Co. N.A.

The remaining stock will be divided: 7% will go to present shareholders; 12.5% to Retail Strategies (the company organized by Lurie and New York financier Al Roth to effect a reorganization of Cook), and another 1% will go to union employees.

The reorganized company will issue 10 million shares at time of confirmation and will be worth approximately $8 million.

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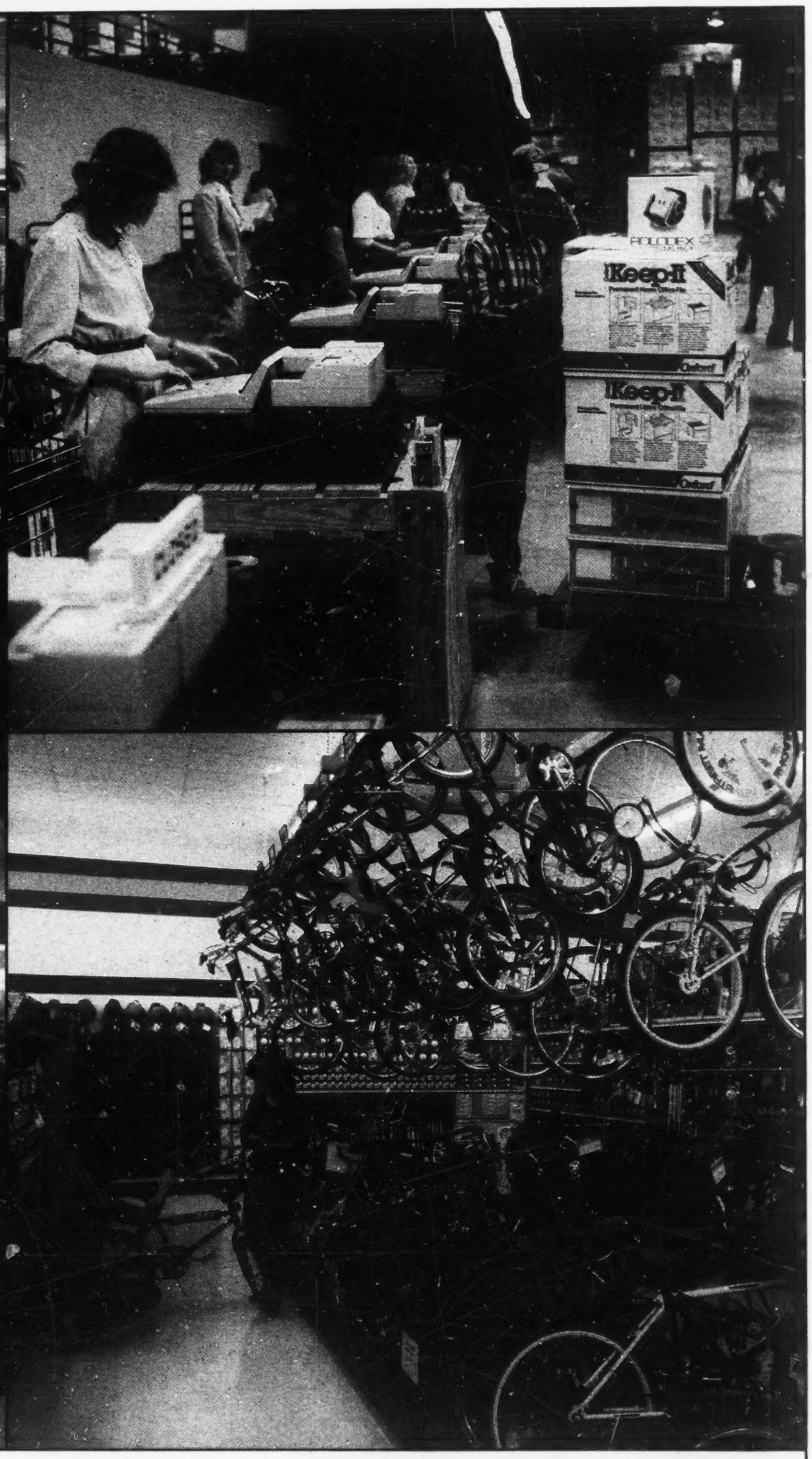
Annual Industry Report



Discounters to Ring Up $126.1 Billion in 1986

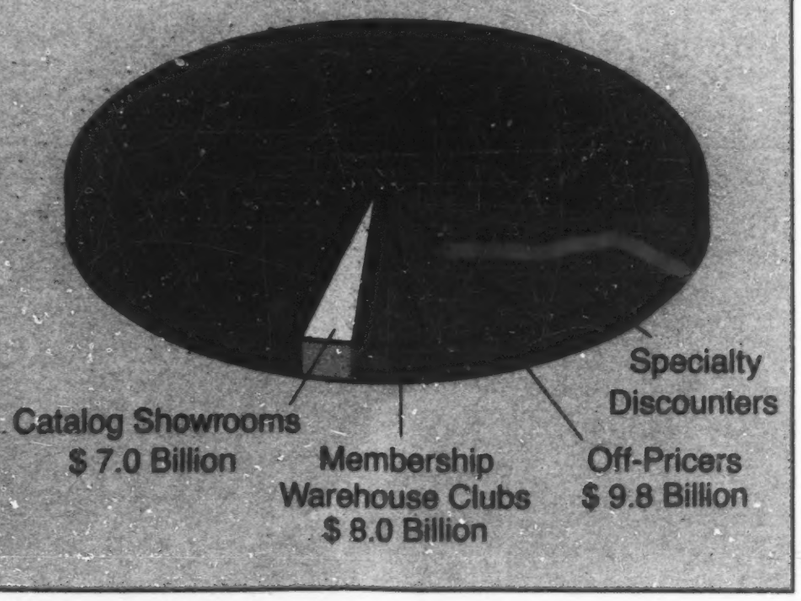
Total discount industry sales will advance 9% to $126.1 billion by the end of this year, according to the *Discount Store News* annual report.

The lion's share of that growth will be generated by the membership warehouse club operations which will close the year with about $8 billion in volume.

More modest advances will be posted by the discount department store chains (2.5%) and specialty discounters (5.4%).

The year's losers will be the catalog showrooms which will see total sales decline from $7.9 billion to $7 billion.

Discount Industry Segment Sales



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Full Liners to Post Modest 2.5% Sales Gains in '86

(Continued from page 1)
count department store divisions, Gold Circle and Richway; Ames' buyout of the G. C. Murphy company, and the closing of the T. G. & Y., Zodys and Jefferson Ward operations.

On the plus side, the largest discount department store operations continued with their store opening plans.

Wal-Mart, with sales of nearly $8 billion, has planned to open another 125 stores this year, consistent with its annual unit growth rate of the past several years. Target has announced its plan to roll out about two dozen more units. And third ranked Zayre has earmarked funds for 25 more units through the end of its current fiscal year.

In merchandising, ladies' wear continued to generate the greatest share of the discount department store's volume. According to *DSN* estimates, those departments will ring up $15.3 billion sales this year, which is 12.1% of total full liner sales and a 2% volume increase over last year.

The full line chains are also expected to post a 2.3% sales increase in men's/boys' wear, to nearly $9 billion in sales by year end. The third top performing category, non-electric housewares, will generate an additional 3% in sales, or about $6.8 billion in volume.

These three categories accounted for 25% of full line discounters' sales.

The success of the membership warehouse industry may be attributed to a combination of new store growth and the maturing of units opened during the previous two years.

Price Club, the $1.8 billion industry leader, has planned to have 34 units in operation by the end of this year—an increase of 15 stores in two years that helped move the chain into the No. 8 position on the top 100 list of discounters.

Sam's Wholesale Club, the $777 million division of Wal-Mart, planned to expand to 41 stores by year end, nearly double the 23 units it had opened by last year—its second in operation.

The two clubs captured about a third of the membership warehouse market.

In contrast, the year has further eroded sales in the catalog showroom market.

Sales in that sector are projected to drop 11% to $7 billion. The number of catalog showroom chains continued to shrink, as the one- and two-showroom operations closed their doors. This consolidation further strengthened Service Merchandise's and Best Products' grip on the business: By the end of the year, those firms will account for about 64% of total industry sales.

Growth for off-price and specialty stores has stablilized over the past year: Sales for the off-price segment, which has just emerged from a shakeout, are projected to rise 5.4% this year to $9.8 billion.

Specialty discounters, including automotives, toys, sporting goods and consumer electronics operations, have projected sales increases of 5.2%, about $18 billion.

The two leaders in the off-price industry, Marshalls and T. J. Maxx, have turned to new prototypes and improved presentations to sharpen their competitive edge.

The $1.3 billion Marshalls unveiled its new prototype in two Massachusetts stores last April. The new design broke men's, women's and children's apparel into smaller classification departments. The design was calculated to help move shoppers through the store quickly and easily.

The country's second largest off-pricer, Zayre Corp.'s T. J. Maxx chain launched its prototype last year, introducing freestanding walls (into its previously piperack only sales floor) to aid merchandise presentations.

Ross Stores, the third ranked off-price chain, continued on an expansion track with plans to add 45 stores in the current fiscal year.

Toys "R" Us, the $2 billion powerhouse specialty toy chain, is poised for further expansion with plans to grow by 61 stores to a total of 340 stores by the end of the year. Its closest rival, Child World, also had a strong year, posting sales increases of almost 18% to $513 million for the current fiscal year. However, its growth plans were more modest; the chain intends to increase its store count by 15 units for a total of 136 stores this year.

In the automotive specialty market, the privately owned Western Auto network of franchised and company owned stores continued to dominate the field, with estimated sales of $725 million for the current fiscal year.

Consumer electronics chains just closed the books on a strong year—Circuit City and Highland reported sales increases of 36% and 45% respectively. But international currency fluctuations, which weakened the dollar's strength against the Japanese yen, and a noticeable lack of new product categories may have taken some of the wind out of the segment's sails.

Without a shelf full of new products to win consumers, chains have been playing a tougher game of new territory warfare.

Circuit City, for example, which reported $705 million in sales last fiscal year, has begun making an even more aggressive bid for market share in Southern California, Richmond, Va. and Atlanta.

The forays on the West Coast will pit the chain against the market dominator, The Federated Group, in Los Angeles.

Sporting goods chains, which have had a relatively steady but unexceptional growth pattern in recent years, have expected a surge in sales this year from an increase in domestic vacationing. Lower gasoline prices and Americans' current fear of travel abroad are expected to have a beneficial effect on the sporting goods specialists' bottom lines.

Full Line Discounters' Sales to Hit $83.2B

Year	Total Sales in Billions	Total Stores	Net Gain (Loss) of Stores	Total Sq. Ft. in Millions	Dollars Per Sq. Ft.	Avg. Sales Per Store in Millions	Avg. Store Size in Thousands Sq. Ft.
1986**	$83.20*	8,272	111	621	$137.29*	$10.10*	75.10
1985	81.20*	8,161	52	606	134.68*	9.95*	74.25
1984	79.20*	8,109	(108)	604	131.19*	9.76*	74.44
1983	73.30*	8,217	(65)	579	126.51*	8.92*	70.51
1982	66.60*	8,282	118	584	114.05*	8.04*	70.50
1981	66.60	8,164	428	576	115.58	8.15	70.58
1980	60.50	7,736	470	546	110.79	7.82	70.60
1979	55.00	7,266	375	513	107.15	7.57	70.60
1978	50.00	6,891	353	490	101.95	7.26	71.11
1977	47.00	6,538	396	468	100.00	7.19	71.58
1976	44.00	6,142	606	442	99.00	7.16	71.96
1975	38.00	5,536	126	399	95.00	6.86	72.07
1965	9.82	2,448	219	151	65.00	4.01	61.68

*Doesn't include sales from discounter supermarkets.
**Most recently completed fiscal year.

Source: DSN research

Apparel to Fashion 30% Share of Full Liner 1986 Sales

Nationwide DSN Report

The ladies' and men's wear departments will generate nearly one third of full line discount department store volume by year end.

Together the two areas, which occupy a total of nearly 18,000 sq. ft. of selling space, will ring up nearly $25 billion in sales, or 30% of total full line discount department store sales.

On the hard lines side of the store, housewares, including personal care and traffic appliances, are due to make the next largest revenue contribution.

Riding the crest of a wave of consumer enthusiasm for the various lifestyle and home entertainment categories, these heavily fashion influenced departments will generate more than $11 billion in sales by the end of the holiday selling season.

Full Line Discount Store Productivity

Category	Discount Volume (in Billions)	Sales Per Store (in Thousands)	Dept. Size Sq. Ft.	Annual Sales/ Sq. Ft.	Annual Turns	% Initial Markup	% Gross Margin
Ladies' Wear	$15.3	$1,850	10,000	$185.00	5.0	48.9	30.2
Men's/Boys' Wear	8.9	1,076	7,710	139.56	3.3	46.5	34.4
Housewares	6.8	822	5,760	142.70	3.3	42.2	32.3
Consumer Electronics	6.3	762	2,300	331.30	3.1	31.0	18.9
Health & Beauty Aids	5.8	701	3,140	223.25	4.7	25.3	19.6
Automotives	5.4	689	2,320	296.88	2.6	34.1	25.7
Hardware	5.0	604	3,240	186.42	2.3	39.8	29.1
Toys	4.4	532	2,560	207.81	2.7	36.8	27.8
Sporting Goods	4.0	484	2,500	193.60	2.0	37.5	29.2
Domestics	3.6	435	3,150	138.10	2.5	44.5	34.9
Photo/Camera	3.3	399	675	591.11	3.1	25.6	18.4
Personal Care Electrics	2.8	338	800	422.50	3.5	30.6	21.4
Stationery	2.3	278	1,875	148.26	3.5	47.4	41.6
Electric Housewares	1.7	206	850	242.35	3.5	31.7	21.3
Paint	1.6	193	1,200	160.83	2.5	43.8	36.3
Jewelry	1.5	181	595	304.20	2.1	49.2	40.6

Source: DSN research